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TO RUEHC/SECSTATE WASHDC IMMEDIATE 9719
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RUEHBR/AMEMBASSY BRASILIA 2245
RUEHMN/AMEMBASSY MONTEVIDEO 0330
RUEHSA/AMEMBASSY PRETORIA 1987
RUEHMT/AMCONSUL MONTREAL 0383
RUEHQU/AMCONSUL QUEBEC 1368
RUEATRS/DEPT OF TREASURY WASHDC
RUCOWCV/CCGDSEVEN MIAMI FL
RUMIAAA/HQ USSOUTHCOM J2 MIAMI FL

UNCLAS SECTION 01 OF 02 PORT AU PRINCE 000265

SIPDIS

STATE FOR WHA/CAR, DRL, S/CRS, INR/IAA
SOUTHCOM ALSO FOR POLAD
STATE PASS AID FOR LAC/CAR
TREASURY FOR MAUREEN WAFER

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SUBJECT: AMBASSADOR HOSTS DISCUSSION OF CORRUPTION

REF: PORT AU PRINCE 065

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¶1. (SBU) Summary: Government and civil society representatives at an Ambassador-hosted discussion occurred that corruption in Haiti is ubiquitous and requires stiffer laws, expanded education and training, partnership between the government and private sector, ongoing civil society involvement and continuing help from foreign donors. End summary.

¶2. (SBU) The Ambassador hosted a lunch at her residence January 28 to discuss anti-corruption efforts with representatives from the government, the private sector, and NGOs. Present were mos Durosier, General Director of the Anti-Corruption Unit (ULCC) of the Ministry of Economy and Finance; Jean-Ostricht Hercules, Director of the Financial Intelligence Unit (UCREF) of the Ministry of Justice and Public Security; mango exporter Bernard Craan; Kesner Pharel, economic journalist and radio talk-show host; Marilyn Allien, Director of the Heritage Foundation for Haiti (the Haitian arm of Transparency International); and Anthony Pascal, Head of the Citizen Observatory of Government Action. Joining the Ambassador from the Embassy were the Political and Economic Counselors and the head of USAID's Office for Governing Justly and Democratically (GJD).

¶3. (SBU) Allien of Heritage observed that bribery occurred at all levels of government and the economy, including in public schools. Her foundation is encouraging the use of government identification badges as a deterrent to corruption. Citizens should be able to identify officials against whom they lodged complaints of corruption. Bernard Craan noted that Haitian parents with children in public schools spend 40 percent of their income on education. This private sector leader admitted there is a high level of tax evasion in Haiti. Craan recalled that the private sector in late 2007 had proposed to President Preval an incentive plan to induce tax delinquents to pay up. The government would give businesses one year to declare and pay back taxes on their concealed past income, plus a penalty lower than that prescribed by current law. Following that one-year grace period, the government would investigate vigorously and impose a penalty higher than the current legal level on tax delinquents. The private sector had also proposed a 20 percent flat income tax rate to encourage greater tax compliance by individuals.

14. (SBU) Craan disputed Anthony Pascal's assertion that corruption resulted from low salaries and mass unemployment. (Note: Unemployment in Haiti is estimated at anywhere between 60 and 90 percent, depending upon whether one includes informal sector activities as employment. End note.) Craan believed that corruption was the product of weak state institutions that posed no effective counterweight to the strong private sector. The most damaging institutional weakness lay in the judiciary. Journalist Pharel referred to the draft anti-corruption bill that had yet to be submitted to the legislature, which would define and establish specific penalties for acts of corruption. Jean-Ostrict Hercules of UCREF said that it was fine to improve the law, but enforcement of existing Haitian laws remained generally weak.

The corruption ''crisis'' was systemic. Raising the salaries of judicial officials would not in itself reduce corruption. Haiti needed the political will to reform the judicial system and exert consistent pressure on all sectors.

He claimed that the 1987 constitution subordinated the judicial system to the executive branch. The government used the ''good conduct discharge'' which all judges are required to obtain after leaving office to pressure judges: the latter knew the government could fabricate evidence of financial or other wrongdoing after they left office if they resisted pressure to decide cases as the government wanted.

15. (SBU) Journalist Kesner Pharel said that an independent press was a critical control mechanism against corruption, and that Haiti's press needed to be stronger. He conceded that trying cases in the Haitian press was not fair to the accused. Anthony Pascal pointed out that Haiti's criminal code dated from 1935 and needed reform to take account of modern forms of corruption. The USAID GJD Section head noted

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the importance of civil society initiatives: people had organized demonstrations that had helped Parliament pass anti-kidnapping legislation, and something similar was needed for corruption. ULCC Director Durosier argued that Haiti needed a change in the mentality that tolerated corruption. Haiti needed laws to raise the costs of corrupt acts. The country should implement ''control mechanisms'' to check corruption, give civil servants anti-corruption training, and educate students against corruption in education, i.e. the widespread practice of cheating.

16. (SBU) Bernard Craan replied that Haiti needed not just new laws but long-term reform of institutions and a state-private sector ''national pact'' against corruption. Durosier of ULCC said his organization had completed an anti-corruption strategy for 2010-18, which they had discussed with stakeholders and submitted to the government. ULCC was awaiting World Bank review and approval of 10 project documents contained in the strategy. Hercules noted that with the help of USAID, UCREF had installed an Integrated Financial Management System (IFMS) in 43 separate government offices in Port-au-Prince, which gave ULCC the ability to track government expenditures, including those of the Presidency.

17. (SBU) Durosier went on to say that the World Bank had recommended contracting the Basel Institute on Governance to provide GOH officials anti-corruption training. The main recipients would be judges and prosecutors, few of whom were currently capable of handling a corruption case. Haiti's Magistracy School needed to introduce a core course on corruption. The ULCC would also compile a compendium of all Haitian laws pertaining to corruption. Finally, it would continue its anti-corruption public awareness campaign. In relation to Haiti's asset disclosure law for public officials, Durosier noted that his office had received only 113 asset declarations thus far, including only one from a member of parliament. (Note: we do not know the total number of officials subject to this law. End note.)

¶8. (SBU) The Ambassador noted that anti-corruption programs such as the IFMS would continue as a core element of USG assistance to Haiti.

¶9. (SBU) Comment: The USG is currently investing USD 4.7 million in FY 06, 07, and 08 funds in 1) continuing and expanding the IFMS that involves the GOH, private sector and USG; 2) providing substantial support to the Heritage Foundation for Haiti, and 3) extending small grants for innovative civil society proposals that combat corruption and promote public accountability.

SANDERSON